

UTAH COUNTIES INDEMNITY POOL

BOARD OF TRUSTEES MEETING

Friday, June 8, 2012 8:30 a.m.

Moore's Old Pine Inn, Marysvale

AGENDA

8:30 Call to Order Kay Blackwell

ITEM ACTION

1	Review/Excuse Board Members Absent	Kay Blackwell
2	Approve April 18, 2012 Meeting Minutes	Steve Wall
3	Ratification and Approval of Payments and Credit Card Transactions	Steve Wall
4	Review/Approve 2011 Financial Audit	Steve Wall
5	Set Date and Time for Closed Meeting to Discuss Character, Professional Competence, Physical/Mental Health of an Individual	Kay Blackwell
6	Action on Personnel Matters	Kay Blackwell
7	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	Kay Blackwell
8	Action on Litigation Matters	Kent Sundberg

INFORMATION

9	Chief Executive Officer's Report	Johnnie Miller
10	Other Business	Kay Blackwell



BOARD OF TRUSTEES' MEETING MINUTES

June 8, 2012, 8:30 a.m.
Moore's Old Pine Inn, Marysvale, UT

BOARD MEMBERS PRESENT

Kay Blackwell, *President*, Piute County Commissioner
Jim Eardley, *Vice President*, Washington County Commissioner
Steve Wall, *Secretary-Treasurer*, Sevier County Clerk/Auditor
Bruce Adams, San Juan County Commissioner
Craig Dearden, Weber County Commissioner
Brad Dee, Weber County Human Resources Director
Bret Millburn, Davis County Commissioner
Karla Johnson, Kane County Clerk/Auditor
Kent Sundberg, Utah County Deputy Attorney
Mike Wilkins, Uintah County Clerk/Auditor

BOARD MEMBERS ABSENT

Gary Anderson, Utah County Commissioner
Jerry Hurst, Tooele County Commissioner
Cameron Noel, Beaver County Sheriff

OTHERS PRESENT

Johnnie Miller, UCIP Chief Executive Officer
Sonya White, UCIP Chief Financial Officer
Mark Brady, UCIP Loss Control Manager

Call to Order

Kay Blackwell called this meeting, of the Utah Counties Indemnity Pool's Board of Trustees, to order at 8:30 a.m. on June 8, 2012, and welcomed those in attendance.

Review/Excuse Board Members Absent

Gary Anderson is injured and requested to be excused from this meeting. Jerry Hurst and Cameron Noel had prior commitments and requested to be excused from this meeting. Brad Dee made a motion to excuse Gary Anderson, Jerry Hurst and Cameron Noel from this meeting. Karla Johnson seconded the motion, which passed unanimously.

Approve April 18, 2012 Meeting Minutes

The minutes, of the Board of Trustees meeting held April 18, 2012, were previously sent to the Board Members for review (see attachment number one). Steve Wall requested that the following corrections be made: Page two, **Audit Committee Report, December 31** added to *year ending 2011*; **Chief Executive Officer's Report**, switch *claims made to an occurrence policy form*; and page three, add a comma after *funds*. Steve Wall made a motion to approve the April 18, 2012 meeting minutes as corrected. Bret Millburn seconded the motion, which passed unanimously.

Ratification and Approval of Payments and Credit Card Transactions

Steve Wall reviewed the payments made, payments to be made and credit card transactions with the Board. Steve Wall made a motion to approve the payments made, payments to be made and credit card transactions (see attachment number two). Jim Eardley seconded the motion, which passed unanimously.

UTAH COUNTIES INDEMNITY POOL

PO Box 95730, South Jordan, UT 84095-0730
Phone (801)565-8500 ☎ Fax (801)568-0495 ☎ ucip.utah.gov

Review/Approve 2011 Financial Audit

Steve Wall reported that the UCIP Audit Committee met with MacRay Curtis of Wisan, Smith, Racker & Prescott, and Sonya White on June 4, 2012 to review the 2011 draft financial audit. A copy of the draft audit was provided to the Board for review (see attachment number three). The net increase to surplus (page six) is \$988,092. The UCIP owned property was transferred from Capital Assets to Investments (page eight) in accordance with the Board's intent to hold the land for sale. UCIP received a clean audit from Wisan, Smith, Racker & Prescott. The auditors made the following recommendations: 1) establish written control policies and procedures over all important financial areas; and 2) that the employee receiving mail should log all incoming checks and stamp them "For Deposit Only" (see *Management Letter*, attachment number four). UCIP provided its response to these recommendations (see attachment number five). Jim Eardley made a motion to approve the 2011 Financial Audit, conducted by Wisan, Smith, Racker & Prescott, as presented. Karla Johnson seconded the motion, which passed unanimously.

Set Date and Time for Closed Meeting

Karla Johnson made a motion to strike agenda item: *Set Date and Time for a Closed Meeting to Discuss Character, Professional Competence, Physical/Mental Health of an Individual*. Craig Dearden seconded the motion, which passed unanimously.

Action on Personnel Matters

Karla Johnson made a motion to strike agenda item: *Action on Personnel Matters*. Craig Dearden seconded the motion, which passed unanimously.

Set Date and Time for Closed Meeting

Karla Johnson made a motion to strike agenda item: *Set Date and Time for a Closed Meeting to Discuss Pending or Reasonably Imminent Litigation*. Bret Millburn seconded the motion, which passed unanimously.

Action on Litigation Matters

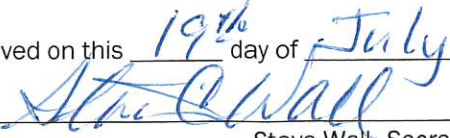
Kala Johnson made a motion to strike agenda item: *Action on Litigation Matters*. Bret Millburn seconded the motion, which passed unanimously.

Chief Executive Officer's Report

Johnnie Miller reported that the annual Personnel Workshop, held May 23-24, was a huge success with excellent speakers and topics as reported in the evaluations received from attendees. The workshop was well attended.

Other Business

The next meeting of the Board of Trustees will be held Thursday, July 19, 12:00 p.m. at the UCIP offices.

Approved on this 19th day of July 2012

Steve Wall, Secretary/Treasurer



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Entity: Utah County Indemnity Pool

Public Body: [Board of Trustees](#)

Subject: Local Districts

Notice Title: Board Meeting

Notice Type: Notice

Notice Date & Time: June 8, 2012
8:30 AM - 9:30 AM

Description/Agenda:

Call to Order
Review/Excuse Board Members Absent
Approve April 18, 2012 Meeting Minutes
Ratification and Approval of Payments and Credit Card Transactions
Review/Approve 2011 Financial Audit
Set Date and Time for Closed Meeting
to Discuss Character, Professional Competence, Physical/Mental Health of an Individual
Action on Personnel Matters
Set Date and Time for Closed Meeting
to Discuss Pending or Reasonably Imminent Litigation
Action on Litigation Matters
Chief Executive Officer's Report
Other Business

Notice of Special Accommodations: In compliance with the Americans with Disabilities Act, individuals needing special accommodations (including auxiliary communicative aids and services) during this meeting should

notify Sonya White at the Utah Counties Insurance Pool, PO Box 760, Midvale, UT 84047, or call 800-339-4070, at least three days prior to the meeting.

Notice of Electronic or telephone participation: Any Member of the Utah Counties Indemnity Pool Board of Trustees may participate telephonically.

Other information:

Attachments: [Agenda 08JUN12.pdf](#)

This notice was posted on: June 05, 2012 01:30 PM

This notice was last edited on: June 05, 2012 01:30 PM

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Meeting Location:

60 South State Street
Marysvale , 84750

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Contact Information:

Sonya White
801-565-8500
sonya@ucip.utah.gov

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Utah Counties Indemnity Pool

Payments

April 19, 2012 - June 8, 2012

Type	Date	Num	Name	Memo	Amount
ML Expense					
Liability Check	4/27/2012		QuickBooks Payroll Service	Created by Payroll Services on 04/25/2012	-12,968.45
Liability Check	5/14/2012		QuickBooks Payroll Service	Created by Payroll Services on 05/02/2012	-12,965.19
Liability Check	5/30/2012		QuickBooks Payroll Service	Created by Payroll Services on 05/29/2012	-13,088.52
Liability Check	4/26/2012		United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 270251775312019	-4,686.59
Liability Check	4/30/2012	ONLINE	Utah State Tax Commission	Confirmation Number: 1-686-260-736	-1,659.34
Liability Check	4/30/2012	ONLINE	Utah Retirement Systems	Confirmation Number: 04302051365	-6,443.03
Liability Check	4/30/2012	ONLINE	Nationwide Retirement Solutions	Entity: 644013	-2,025.76
Liability Check	5/11/2012	ONLINE	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 270253202222686	-4,686.63
Liability Check	5/30/2012	ONLINE	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 270255223410761	-4,733.77
Liability Check	5/30/2012	ONLINE	Utah State Tax Commission	Confirmation Number: 0-993-577-984	-1,680.37
Liability Check	5/30/2012	ONLINE	Utah Retirement Systems	Confirmation Number: 053019251167	-6,688.93
Liability Check	5/30/2012	ONLINE	Nationwide Retirement Solutions	Entity: 644013	-2,025.76
Check	4/25/2012	VISA	Wells Fargo	Account Number: 4856 2002 0207 3691	-1,251.21
Check	4/25/2012	VISA	Wells Fargo	Account Number: 4856 2002 0207 3683	-1,155.61
Check	4/25/2012	VISA	Wells Fargo	Account Number: 4856 2002 0207 3675	-1,243.14
Check	5/31/2012	VISA	Wells Fargo	Account Number: 4856 2002 0207 3675	-3,140.80
Check	5/25/2012	VISA	Wells Fargo	Account Number: 4856 2002 0207 3683	-703.97
Check	5/25/2012	VISA	Wells Fargo	Account Number: 4856 2002 0207 3691	-1,590.87
Bill Pmt -Check	4/25/2012	6335	Color Transfer	Invoice Number: 12-2346	-463.30
Liability Check	4/27/2012	6336	Public Employees Health Program	Policy Number 1076 (April)	-824.78
Check	4/27/2012	6337	Kent Sundberg	Mileage Reimbursement	-105.45
Check	4/27/2012	6338	Kay Blackwell	Travel Reimbursement	-150.00
Check	4/27/2012	6339	Jim Eardley	Mileage Reimbursement	-371.85
Check	4/27/2012	6340	Gary Anderson	Mileage Reimbursement	-154.29
Check	4/27/2012	6341	Cameron Noel	Mileage Reimbursement	-257.52
Check	4/27/2012	6342	Bruce Adams	Mileage Reimbursement	-355.20
Check	4/27/2012	6343	Bret Millburn	Mileage Reimbursement	-22.76
Check	4/27/2012	6344	Arthur J. Gallagher & Co.	Invoice Number: 98840	-100.00
Bill Pmt -Check	4/27/2012	6345	Office Depot	Invoice Number: 603651306001	-38.47
Bill Pmt -Check	4/27/2012	6346	Paetec	Invoice Number: 4046480	-702.23
Bill Pmt -Check	4/27/2012	6347	Pitney Bowes Global Financial Servic...	Invoice Number: 1528795-AP12	-199.00
Bill Pmt -Check	4/27/2012	6348	Revco Leasing Company, LLC	Invoice Number: 294296	-815.89
Bill Pmt -Check	4/27/2012	6349	Tri-Tel Communications, Inc.	Invoice Number: 155266	-175.00
Bill Pmt -Check	4/27/2012	6350	Utah Safety Council	Invoice Number: FD122407	-5,500.00
Bill Pmt -Check	4/27/2012	6351	Workers Compensation Fund	Invoice Number: 3391039	-30,000.14
Check	4/27/2012	6352	PEHP-LTD	Coverage Period: MAR 2012	-211.74
Bill Pmt -Check	4/30/2012	6353	Western AgCredit	Invoice Number: 5-2012	-11,111.00
Bill Pmt -Check	5/1/2012	6354	Arthur J. Gallagher & Co.	Invoice Number: 99154	-8,129.00
Bill Pmt -Check	5/3/2012	6355	TCNS, Inc.	Invoice Number: 4389	-385.00
Bill Pmt -Check	5/3/2012	6356	TCNS, Inc.	Invoice Number: 4309	-70.00
Bill Pmt -Check	5/22/2012	6357	Chase Parker	Mileage Reimbursement Personnel Workshop	-321.90
Check	5/30/2012	6358	PEHP-LTD	Coverage Period: MAY 2012	-213.74
Check	5/30/2012	6359	Johnnie R. Miller	Expense Reimbursement	-641.26
Liability Check	5/31/2012	6360	Public Employees Health Program	Policy Number 1076 (May)	-827.42
Liability Check	5/31/2012	6361	Opticare of Utah	Invoice Number: 17912	-59.35
Check	5/31/2012	6362	Aaron Gonzalez	May Event Coverage Refund for Overpayment	-0.95
Bill Pmt -Check	5/31/2012	6363	Christensen & Jensen	Invoice Number: 70386	-1,029.94
Bill Pmt -Check	5/31/2012	6364	Larson & Rosenberger	Invoice Number: 74096	-188.20

Utah Counties Indemnity Pool

Payments

April 19, 2012 - June 8, 2012

Type	Date	Num	Name	Memo	Amount
Bill Pmt -Check	5/31/2012	6365	Matthew Bender & Co., Inc.	Invoice Number: 31185800	-417.00
Bill Pmt -Check	5/31/2012	6366	Office Depot	Invoice Number: 607884837001	-180.00
Bill Pmt -Check	5/31/2012	6367	Paetec	Invoice Number: 4162961	-682.03
Bill Pmt -Check	5/31/2012	6368	Print2day	Invoice Number: 1248704	-194.81
Bill Pmt -Check	5/31/2012	6369	Whitney Advertising & Design, Inc.	Invoice Number: 15695	-323.66
Bill Pmt -Check	5/31/2012	6370	Whitney Advertising & Design, Inc.	Invoice Number: 15707	-445.64
Bill Pmt -Check	5/31/2012	6371	Whitney Advertising & Design, Inc.	Invoice Number: 15901	-20.50
Bill Pmt -Check	5/31/2012	6372	Whitney Advertising & Design, Inc.	Invoice Number: 15915	-590.28
Bill Pmt -Check	5/31/2012	6373	Whitney Advertising & Design, Inc.	Invoice Number: 15936	-461.50
Bill Pmt -Check	6/1/2012	6374	Western AgCredit	Invoice Number: 6-2012	-11,111.00
Bill Pmt -Check	6/1/2012	6375	Hilton Garden Inn St. George	Invoice: H326	-6,484.35
Total ML Expense					-167,074.09
TOTAL					-167,074.09

June 7, 2012

To Management and
Board of Trustees of Utah Counties Indemnity Pool

In planning and performing our audit of the financial statements of Utah Counties Indemnity Pool (the Pool) as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Pool's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pool's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The discussion that follows summarizes our comments and suggestions regarding those matters. (We previously reported on the Pool's internal control in our letter dated June 7, 2012. A separate report dated June 7, 2012, contains our communication on material weaknesses and significant deficiencies in the Pool's internal control.) This letter does not affect our report dated June 7, 2012, on the financial statements of the Utah Counties Indemnity Pool.

Current Year Management Letter Comments

Written Control Policies

During our risk assessment procedures, we noted that the Pool does not have formal control policies established that describe procedures and important controls to ensure all of the financial information is accurate, captured and properly recorded and all Pool's assets are properly safeguarded. All aspects of internal control should be clearly documented in a policies and procedures manual formally approved by the Board. The lack of complete control policies increases the risk of loss to the Pool's funds and assets. Written procedures are beneficial in training for both current and new employees and are a valuable resource in the event an employee leaves the Pool.

We recommend that the Pool's management establishes the control policies and procedures over all important financial areas, including, but not limited, to handling of cash receipts, cash disbursements, account reconciliations, safeguarding of the Pool's assets, etc. The procedures should include sufficient information to permit an individual who is unfamiliar with operations of the Pool to perform the necessary financial activities.

Cash Receipts and Deposits

During our inquiries of the Pool's management we noted that the Chief Financial Officer restrictively endorses received checks, prepares the deposit slips and reconciles bank accounts. This creates a risk of misappropriation of funds and compensating controls need to be established.

We recommend that the employee receiving the mail also stamp all checks "For Deposit Only". The same employee should keep a log of all received checks. A person independent from accounting functions should review at least monthly a random number of checks from the log and compare the check numbers to the deposit slips to ensure the checks are being deposited timely and in the Pool's accounts.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with you, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

Wison, Smith, Roegner & Prescott, LLP



June 5, 2012

Utah State Auditor Office
East Office Building, Suite E310
PO Box 142310
SLC, UT 84114-2310

In compliance with Section 51-2a-202 of the Utah Code, this letter serves as Management's formal response to items raised in the Independent Audit of the Utah Counties Indemnity Pool (UCIP or the Pool) conducted by Wisan, Smith, Racker and Prescott, LLP for the period ending December 31, 2011.

Two items were raised in the Management Letter as a result of activities during the fiscal year 2010. By way of follow up on these items:

Reinsurance Recoverables

Management has implemented a policy to have staff update the reinsurance recoverable reports by way of coordination between the Claims Manager and Manager of Administration each month. A reinsurance recoverable report is provided as part of the quarterly financial reports presented to the Board of Trustees.

Timely Depositing of Cash Receipts

Although Management makes every effort to deposit all checks received in three business days, there are times, due to the limited number of staff, that checks received are not deposited within three business days. The numbers of checks not deposited within three business days are minimal and usually immaterial. The Pool is aware of the importance of being in compliance and will continue to make every effort to deposit checks received within three business days of receipt.

The auditors provided two recommendations in the 2011 Management Letter. I am providing a brief summary of how management plans to respond to the issues identified in the 2011 Management Letter:

Written Control Policies

Management will construct written control policies documenting the procedures and controls utilized to ensure accuracy of financial information and proper safeguard of assets, for review and approval by the UCIP Board of Trustees.

UTAH COUNTIES INDEMNITY POOL

PO Box 95730, South Jordan, UT 84095-0730
Phone (801)565-8500 ☎ Fax (801)568-0495 ☎ www.ucip.utah.gov

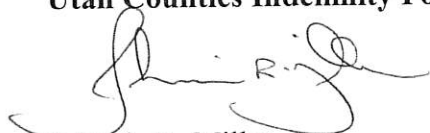
Cash Receipts and Deposits

The written control policies referred to above will address controls regarding separation of duties related to endorsement of checks, preparation of deposit slips and bank account reconciliation, with appropriate audit of those control procedures, to guard against the recognized risk of misappropriation of funds.

Please don't hesitate to contact me if you should have any questions, or need additional information.

Sincerely,

Utah Counties Indemnity Pool

A handwritten signature in black ink, appearing to read "Johnnie R. Miller". The signature is fluid and cursive, with the first name being the most prominent.

Johnnie R. Miller

Chief Executive Officer

UTAH COUNTIES INDEMNITY POOL

FINANCIAL STATEMENTS

December 31, 2011 and 2010

WISAN, SMITH, RACKER & PRESCOTT, LLP

C E R T I F I E D P U B L I C A C C O U N T A N T S

UTAH COUNTIES INDEMNITY POOL

FINANCIAL STATEMENTS

December 31, 2011 and 2010

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WISAN, SMITH, RACKER & PRESCOTT, LLP

C E R T I F I E D P U B L I C A C C O U N T A N T S

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Utah Counties Indemnity Pool
South Jordan, Utah

We have audited the accompanying statement of net assets of Utah Counties Indemnity Pool (the Pool) as of December 31, 2011, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Pool's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Pool as of December 31, 2010 were audited by other auditors whose report dated April 1, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah Counties Indemnity Pool as of December 31, 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2012, on our consideration of the Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 and the Contributions and Loss Development Information on page 22 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods used in preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Wisan, Smith, Racker & Prescott, LLP

Salt Lake City, Utah
June 7, 2012

Salt Lake - 155 North 400 West, Suite 400 • Salt Lake City, Utah 84103 • 801-328-2011 • Fax 801-328-2015
Las Vegas - 1820 East Warm Springs Road, Suite 112 • Las Vegas, Nevada 89119 • 702-451-3099 • Fax 702-568-5030

Licensed to Practice in Utah, Wyoming, Nevada, New Mexico and Idaho

Member - American Institute, Utah Association and Nevada Society of Certified Public Accountants



UCIP MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the period ended December 31, 2011

May 8, 2012

In conformity with Governmental Accounting Standards Board (GASB) Statement No. 34, the management of the Utah Counties Insurance Pool presents this Management's Discussion and Analysis for the readers of the Pool's financial statements. Our intent is to provide a narrative overview and analysis of the financial activities of UCIP for the fiscal year ended December 31, 2011. Readers are encouraged to consider this information in conjunction with the financial statements, notes to the financial statements and required supplementary information included in the independent auditor's report.

Financial Statements Provided

Included in the independent auditor's report are the basic financial statements required under the GASB standards including:

- Statements of Net Assets – Accounts for all assets and liabilities of the Pool as of December 31, 2011, showing the balance of net assets (assets minus liabilities) as of that date.
- Statements of Revenues, Expenses, and Changes in Net Assets – Accounts for all revenue and expenses accrued for the fiscal period, with calculation of the change in net assets (revenue minus expenses) for the period. Expenses are classified as Operating Expenses (primarily consisting of expected losses to be paid and the cost of excess insurance covering catastrophic losses), and Administrative Expenses (expenses related to the administration of the Pool which consist primarily of staff salary & benefits and office operations). Expenses are further categorized to provide a level of detail appropriate for general management overview and control.
- Statements of Cash Flows – Accounts for all revenues and expenses received or paid during the fiscal period with a calculation of net increase in cash and cash equivalents (revenue minus expenses) and total cash and cash equivalents at the end of the period. This statement provides a contrasting view of the revenues and expenses from the Statement of Revenues, Expenses, and Changes in Net Assets as it accounts for revenues and expenses that were actually received or paid during the period, regardless of when the revenue was earned or due, or when the expense was accrued or invoiced.



Basis of Accounting Methods

Financial statements provided in this report are reported using the Governmental Accounting Standards Board (GASB) basis of accounting. Traditional insurance companies often utilize statutory accounting methods in development of their financial statements which differs significantly from GASB accounting methods. Attempts to perform simple comparisons or benchmark analysis of a commercial carrier's financial reports and the financial reports contained here will likely yield distorted results.

Condensed Financial Information

The following Condensed Financial Statements are meant to provide a summary view of the audited financial statements as support for comments and analysis of the financial condition of UCIP offered by management in this letter.

Net Assets

Total assets increased by \$1,477,302 from year end 2010. Current and other assets decreased by \$797,377, and capital assets decreased \$511,049 while investments increased \$2,785,728. These changes were the result of moving UCIP's land asset from a capital asset to an investment, and transferring \$2,000,000 from PTIF to Zions Wealth Management investments.

Total liabilities increased by \$489,210 over year end 2010. This was primarily an increase of current liabilities.

Net assets increased by \$988,092 during the fiscal year, as a result of a significant gain on UCIP's equity investment in its reinsurer, County Reinsurance Limited (CRL), and an underwriting gain of just over 8% of premium made up of a slight decrease in required reserves and a 6.5% reduction in operating expenses.

Condensed Statement of Net Assets

Assets:	2011	2010	Net Change	2009
Current and other assets	\$ 10,173,048	\$ 10,970,425	\$ (797,377)	\$ 13,786,869
Capital assets	89,848	600,897	(511,049)	596,840
Investments	3,372,991	587,263	2,785,728	367,844
Total assets	13,635,887	12,158,585	1,477,302	14,751,553
Liabilities:				
Current and other liabilities	1,244,524	777,257	467,267	39,280
Reserves for losses and loss adjustment	6,658,344	6,636,401	21,943	10,462,475
Total liabilities	7,902,868	7,413,658	489,210	10,501,755
Net assets:				
Invested in capital assets, net of related debt	89,848	600,897	(511,049)	596,840
Restricted	-	-	-	-
Unrestricted	5,643,171	4,144,030	1,499,141	3,652,958
Total net assets	5,733,019	4,744,927	988,092	4,249,798
Total liabilities and net assets	\$ 13,635,887	\$ 12,158,585	\$ 1,477,302	\$ 14,751,553



Operating Revenue and Expense

Revenue from contributions increased \$212,286 to \$5,922,572 in 2011 resulting primarily from increased values of member property. A \$73,001 drop in administration expenses and a \$20,176 decrease in loss and loss expense reserves at the end of the year helped UCIP recognize an operating gain of \$987,448 for the year.

Condensed Statement of Operating Revenue and Expense

	2011	2010	Net Change	2009
Operating revenue				
Premiums and other considerations	\$ 5,922,572	\$ 5,710,286	\$ 212,286	\$ 7,979,050
Investment Income	496,448	281,207	215,241	290,050
Other income	23,319	18,159	5,160	12,042
Total operating revenues	6,442,339	6,009,652	432,687	8,281,142
Operating expenses				
Loss and loss adjustment expenses	3,053,104	3,073,280	(20,176)	4,305,748
Reinsurance coverage	1,377,842	1,347,633	30,209	1,330,501
Administration expenses	1,023,945	1,096,946	(73,001)	1,137,877
Total operating expenses	5,454,891	5,517,859	(62,968)	6,774,126
Net operating income	987,448	491,793	495,655	1,507,016
Unrealized gain on investments	644	3,336	(2,692)	1,488
Net income	\$ 988,092	\$ 495,129	\$ 492,963	\$ 1,508,504

Investments

UCIP invests the majority of funds in the Public Treasurer's Investment Fund (PTIF). This strategy allows UCIP to enjoy significant liquidity and protection of capital in its invested assets, while receiving relatively competitive investment income on those investments. In 2011, UCIP moved \$2,000,000 of invested funds to Zions Wealth Management in anticipation of increasing investment rates. While investments with Zions Wealth Management outperformed the PTIF by a small amount in 2011, it is expected these investments will outpace the PTIF more significantly as the market strengthens. Equity investments consist of equity ownership in County Reinsurance Limited (CRL), a property and liability reinsurance pool of county based pools across the U.S. to which UCIP belongs.

Condensed Statement of Cash and Cash Equivalents and Investments

	2011	2010	Net Change	2009
Cash and cash equivalents:				
Cash on deposit	\$ 302,048	\$ 365,699	\$ (63,651)	\$ 1,850,175
Zions Wealth Advisors	140,905	-	140,905	-
Municipal bonds	-	-	-	-
Utah Public Treasurer's Investment Fund:				
Held by the Pool	7,819,311	8,710,635	(891,324)	9,364,223
Held jointly with the State of Utah	-	-	-	1,500,000
Total cash and cash equivalents	8,262,264	9,076,334	(814,070)	12,714,398
Investments:				
Land held for investment	494,446	-	494,446	-
Investments - U.S. government securities	1,863,104	-	1,863,104	-
Equity investments	1,015,441	587,263	428,178	367,844
Total investments	3,372,991	587,263	2,785,728	367,844
Total cash and cash equivalents and investments	\$11,635,255	\$ 9,663,597	\$ 1,971,658	\$13,082,242



Financial Position

Given the significantly reduced capacity to earn investment income on its reserves, UCIP's ability to realize strong operating results in 2011 was key to maintaining its strong financial position. Net assets at year-end of \$5,733,019 are nearing management's targeted surplus. Based on estimated 2012 premium of \$6,400,000, current surplus to premium ratio is well within market standards.

Condensed Statement of Changes in Net Assets

Revenues and expenses:	2011	2010	Net Change	2009
Revenues	\$ 6,442,983	\$ 6,012,988	\$ 429,995	\$ 8,282,630
Expenses	5,454,891	5,517,859	(62,968)	6,774,126
Net income (loss)	988,092	495,129	492,963	1,508,504
Net assets, beginning of year	4,744,927	4,249,798	495,129	2,741,294
Net assets, end of year	\$ 5,733,019	\$ 4,744,927	\$ 988,092	\$ 4,249,798

Budget

Actual 2011 revenue from premiums was \$5,922,572, \$267,428 less than budgeted. Premiums were below budget due in part to deductible credits given members for increased property deductibles. Investment income of \$496,448 was \$441,448 more than was budgeted. Management closely monitored budgeted administrative expenses of \$1,188,040 and was able to operate with actual expenses of \$1,023,945. The savings on actual to budgeted expenses was primarily in the areas of staff expenses, marketing and office operations.

Market Trends in 2011

Management anticipates continued competitive pressure due to protracted soft market conditions into early 2012. Changes in catastrophic loss models by RMS and AIR late in 2011 have significantly increased the modeled earthquake loss exposure for the entire state of Utah, which will likely increase property reinsurance premiums above that budgeted for 2012. UCIP is positioned well for this potential property reinsurance increase, utilizing membership in County Reinsurance Limited (CRL) for its catastrophic property coverage. CRL should be able to leverage its membership volume to suppress rate increases requested by excess carriers. With a strong surplus position, UCIP will also have the option to increase its self-insured retention to offset increased excess rates if necessary.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Executive Officer, Utah Counties Insurance Pool, P.O. Box 95730, South Jordan, UT 84095.

UTAH COUNTIES INSURANCE POOL

Johnnie R. Miller
Chief Executive Officer

UTAH COUNTIES INDEMNITY POOL
STATEMENTS OF NET ASSETS
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 8,262,264	\$ 9,076,334
Accounts receivable	1,513,378	1,517,631
Reinsurance recoverable	151,300	145,492
Prepaid expenses	234,770	219,632
TOTAL CURRENT ASSETS	<u>10,161,712</u>	<u>10,959,089</u>
INVESTMENTS	2,878,545	587,263
PROPERTY AND EQUIPMENT	89,848	600,897
OTHER ASSETS		
Land held for investment	494,446	-
Security deposits	11,336	11,336
TOTAL ASSETS	<u>\$ 13,635,887</u>	<u>\$ 12,158,585</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Reserves for losses and loss adjustment expenses	\$ 6,658,344	\$ 6,636,401
Accounts payable	6,942	28,012
Accrued expenses	39,691	30,217
Contributions paid in advance	1,197,891	719,028
TOTAL CURRENT LIABILITIES	<u>7,902,868</u>	<u>7,413,658</u>
TOTAL LIABILITIES	7,902,868	7,413,658
NET ASSETS		
Invested in capital assets	89,848	600,897
Unrestricted	5,643,171	4,144,030
TOTAL NET ASSETS	<u>5,733,019</u>	<u>4,744,927</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,635,887</u>	<u>\$ 12,158,585</u>

The accompanying notes are an integral part of the financial statements.

UTAH COUNTIES INDEMNITY POOL
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS
Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
OPERATING INCOME		
Contributions	\$ 5,922,572	\$ 5,710,286
Investment income	496,448	281,207
Other income	23,319	18,159
TOTAL OPERATING INCOME	<u>6,442,339</u>	<u>6,009,652</u>
UNDERWRITING EXPENSES		
Losses and loss adjustment expenses	3,053,104	3,073,280
Reinsurance coverage	1,377,842	1,347,633
TOTAL UNDERWRITING EXPENSES	<u>4,430,946</u>	<u>4,420,913</u>
ADMINISTRATION EXPENSES		
Board of trustees	44,695	44,576
Depreciation	20,545	28,547
Loss control	45,245	48,864
Marketing	13,731	15,597
Office operations	179,229	181,941
Professional services	39,503	88,485
Self insurer's taxes	-	(9,943)
Staff expenses	680,997	698,879
TOTAL ADMINISTRATION EXPENSES	<u>1,023,945</u>	<u>1,096,946</u>
TOTAL OPERATING EXPENSES	<u>5,454,891</u>	<u>5,517,859</u>
NET OPERATING INCOME	987,448	491,793
OTHER INCOME		
Gain on sale of capital assets	-	3,336
Unrealized gain on marketable securities	644	-
TOTAL OTHER INCOME	<u>644</u>	<u>3,336</u>
NET INCREASE	988,092	495,129
NET ASSETS AVAILABLE		
AT BEGINNING OF YEAR	<u>4,744,927</u>	<u>4,249,798</u>
NET ASSETS AVAILABLE		
AT END OF YEAR	<u>\$ 5,733,019</u>	<u>\$ 4,744,927</u>

The accompanying notes are an integral part of the financial statements.

UTAH COUNTIES INDEMNITY POOL
STATEMENTS OF CASH FLOWS
Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions collected	\$ 6,405,689	\$ 5,054,944
Other fees collected	23,319	18,159
Reinsurance paid	(1,392,980)	(1,350,262)
Losses and loss expenses paid	(3,036,969)	(6,343,976)
Administrative expenses paid	(1,014,996)	(1,049,449)
NET CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES	<u>984,063</u>	<u>(3,670,584)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,863,104)	(5,736)
Investment income	68,913	61,788
NET CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES	<u>(1,794,191)</u>	<u>56,052</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES		
Purchases of capital assets	(3,942)	(32,332)
Proceeds from sales of capital assets	-	8,800
NET CASH USED BY CAPITAL AND FINANCING ACTIVITIES	<u>(3,942)</u>	<u>(23,532)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(814,070)	(3,638,064)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>9,076,334</u>	<u>12,714,398</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 8,262,264</u>	<u>\$ 9,076,334</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES		
Change in net assets	\$ 988,092	\$ 495,129
Adjustments to reconcile change in net assets to net cash flows from (used by) operating activities		
Depreciation	20,545	28,547
Interest on investments	(68,913)	(61,788)
Decrease in equity in Zions	644	-
Increase in equity in CRL	(428,179)	(219,419)
Unrealized gain on investments	(644)	-
Gain on disposal of equipment	-	(3,336)
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable	4,254	(1,374,370)
Prepaid expenses	(15,138)	(2,629)
Reinsurance recoverable	(5,808)	555,379
Reserves for loss and loss adjustment expenses	21,943	(3,826,074)
Accounts payable	(21,070)	20,770
Accrued expenses	9,474	(1,821)
Premiums paid in advance	478,863	719,028
Total adjustments	<u>(4,029)</u>	<u>(4,165,713)</u>
NET CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES	<u>\$ 984,063</u>	<u>\$ (3,670,584)</u>

The accompanying notes are an integral part of the financial statements.

UTAH COUNTIES INDEMNITY POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Utah Counties Indemnity Pool (the Pool or UCIP) was incorporated in December 1991 as the Utah Association of Counties Insurance Mutual (the Mutual). In July 2003, the Mutual was renamed the Utah Counties Insurance Pool. In January 2012, the Pool was renamed the Utah Counties Indemnity Pool. The Pool is a non-profit interlocal entity formed under Section 11-13-101 et. seq. Utah Code Annotated, 1953 as amended, operated as a joint liability reserve fund under Section 63G-7-703 and 801 for counties who enter into the interlocal agreement that creates UCIP. The Pool is referred to as a "public agency insurance mutual" under the insurance statutes of the State of Utah, Section 31A-1-103(7). All of the Pool's business activities are conducted in the State of Utah.

Accounting Principles

These financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The Pool has adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB Statement 34), GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The Pool has also adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. With the implementation of these statements, the Pool has prepared required supplementary information titled "Management's Discussion and Analysis" which precedes the basic financial statements, has prepared a balance sheet classified between current and noncurrent assets and liabilities, has categorized net assets as invested in capital assets and unrestricted, has prepared the statements of cash flows on the direct method, and provided additional schedules to better communicate the financial status of the governmental entity.

The accounting policies of the Pool conform to accounting principles generally accepted in the United States of America in all material respects. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Pool has opted to apply all pronouncements issued by the Financial Accounting Standards Board ("FASB") after November 1989, unless the FASB pronouncements conflict with or contradict GASB pronouncements. The following is a summary of the more significant policies.

Basis of Accounting

The Pool reports as a single enterprise fund and uses the accrual method of accounting and the economic resources measurement focus. Under this method, revenues are recognized when they are earned and expenses are recognized when they are incurred.

UTAH COUNTIES INDEMNITY POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Pool is exempt from the payment of income taxes under Section 115 of the Internal Revenue Code.

Compensated Absences

Accumulated unpaid vacation and sick pay amounts are accrued when benefits vest to employees and the unpaid liability is reflected as compensated absences payable.

Contributions

Contributions are collected annually on January 1.

Contributions Paid in Advance

Contributions paid by members prior to January 1 of the next calendar year are considered to be deferred until January 1 and are reported as liabilities in the statement of net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Pool considers all highly liquid debt instruments with maturities of three months or less when purchased to be cash equivalents. Therefore, the investments in the Utah Public Treasurers' Fund and cash on deposit are considered to be cash equivalents.

Investments

Investments are comprised of various U.S. Government securities, certificates of deposit and investments in County Reinsurance Limited (CRL).

Investments in U.S. Government securities as of December 31, 2011 consist of held-to-maturity securities. Held-to-maturity securities are reported at cost, adjusted for amortization of premiums and accretion of discounts that are recognized in interest income using the effective interest method over the period to maturity.

The investments in CRL are valued using the equity method of accounting. Under the equity method, the Pool recognizes its proportionate share of the net earnings or losses of CRL which represents its share of the undistributed earnings or losses of CRL.

UTAH COUNTIES INDEMNITY POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land Held for Investment

The Pool purchased land in October of 2007 with the intent of building office space to house Pool employees and conduct board meetings and training. The Board has determined to hold the land as an investment for future sale.

Capital Assets

Capital assets are defined by the Pool as assets with an initial individual cost of more than \$500. Capital assets are stated at cost less accumulated depreciation. Depreciation on furniture, equipment and electronic data processing equipment is provided over the estimated useful lives of the assets on the straight-line method. Useful lives vary from three to five years. Depreciation expense for the years ending December 31, 2011 and 2010 amounted to \$20,545 and \$28,547, respectively.

Reserves for Losses and Loss Adjustment Expenses

The reserves for losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount based on past experience for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes that amounts are adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are reviewed quarterly and any adjustments are reflected in the period determined.

Subsequent Events

Management of the Pool has evaluated subsequent events through June 7, 2012, which is also the date the financial statements were available to be issued. No subsequent events were noted during this evaluation that required recognition or disclosure in these financial statements.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Listed below is a summary of the cash and investment portfolios as of December 31, 2011 and 2010. Investing is governed by the prudent man rule in accordance with statutes of the State of Utah. All investments of the Pool are considered to have been made in accordance with these governing statutes including the Utah Money Management Act.

Cash and Cash Equivalents

Cash and cash equivalents of the Pool are carried at cost. The carrying amount of the cash on deposit, net of outstanding checks, is \$302,048 and \$365,699 as of December 31, 2011 and 2010, respectively. The corresponding bank balance of the deposits was \$422,583 and \$393,960 as of December 31, 2011 and 2010, respectively. All of the Pool's cash on deposit bank accounts are noninterest-bearing. The FDIC has no limits on noninterest-bearing accounts in financial institutions insured by the FDIC for the period of January 1, 2010 to December 31, 2012.

UTAH COUNTIES INDEMNITY POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

The Public Treasurers' Investment Fund (PTIF) is a pooled investment fund enabling public agencies to benefit from the higher yields offered on large denomination securities. The PTIF is similar in nature to a money market fund, but the PTIF is subject to oversight by the Utah Money Management Council and all investments in PTIF are considered to be in compliance with the Utah Money Management Act. The PTIF invests in corporate debt, U.S. Agency notes, certificates of deposit and commercial paper. The maximum final maturity of any security invested in by the PTIF is limited to five years. The maximum weighted average life of the portfolio is limited to 90 days. There is no maturity date on an entity's investment in the PTIF. PTIF deposits are not insured or otherwise guaranteed by the State of Utah.

Zions Wealth Advisors DBA Contango Capital Advisors is a Certified Investment Advisory Firm subject to oversight by the Utah Money Management Council and all investments with Zions Wealth Advisors are considered to be in compliance with the Utah Money Management Act. The maximum final maturity of any security invested in by Zions Wealth Advisors is limited to three years. Zions Wealth Advisors Investments are not insured or otherwise guaranteed.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of December 31, 2011 and 2010, all of the Pool's bank balances were fully insured by the FDIC.

As of December 31, 2011 and 2010, the Pool's cash and cash equivalents and investments included the following:

	<u>2011</u>	<u>2010</u>
Cash on deposit	\$ 302,048	\$ 365,699
Public Treasurers' Investment Fund	7,819,311	8,710,635
Zions Wealth Advisors	140,905	-
Total cash and cash equivalents	<u>8,262,264</u>	<u>9,076,334</u>
Investments - U.S. government securities	1,863,104	-
Equity investment in County Reinsurance Limited	1,015,441	587,263
Land held for sale	494,446	-
Total investments	<u>3,372,991</u>	<u>587,263</u>
Total cash and cash equivalents and investments	<u>\$ 11,635,255</u>	<u>\$ 9,663,597</u>

UTAH COUNTIES INDEMNITY POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments

The Pool records its investments in U.S. Government Securities at market value. The Pool records investments with County Reinsurance Limited (CRL) using the equity method of accounting. Investments in CRL are confirmed annually. All other investments are through the Public Treasurers Investment Fund. The differences between book value and fair value, as of December 31, 2011 and 2010 are as follows:

<u>2011</u>	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Statement Value</u>
Equity	\$ 587,262	\$ 428,179	\$ -	\$ 1,015,441	\$ 1,015,441
Land	494,446	-	-	494,446	494,446
Securities	1,862,460	644	-	1,863,104	1,863,104
Total investments	<u>\$ 2,944,168</u>	<u>\$ 428,823</u>	<u>\$ -</u>	<u>\$ 3,372,991</u>	<u>\$ 3,372,991</u>

<u>2010</u>	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Statement Value</u>
Equity	\$ 367,844	\$ 219,419	\$ -	\$ 587,263	\$ 587,263
Land	-	-	-	-	-
Securities	-	-	-	-	-
Total investments	<u>\$ 367,844</u>	<u>\$ 219,419</u>	<u>\$ -</u>	<u>\$ 587,263</u>	<u>\$ 587,263</u>

Interest Rate Risk

The Pool currently utilizes the Public Treasurers' Investment Fund (PTIF) and Zions Wealth Advisors, both regulated by the Utah Money Management Council, to manage interest rate risk.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The Pool's policy for limiting the credit risk of investments is to comply with the Money Management Act.

Investments are categorized into these three categories of credit risk:

- Category 1 - Insured or registered, or securities held by the Pool or its agent in the Pool's name.
- Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Pool's name.
- Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, not in the Pool's name.

UTAH COUNTIES INDEMNITY POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments in U.S. government securities in the amount of \$1,863,104 are considered to be Category 3 securities. PTIF investments, equity investments in CRL and land held for sale in the total amount of \$9,329,198 are uncategorized investments

NOTE 3 - INVESTMENT INCOME

Investment income is comprised of the following as of December 31:

	<u>2011</u>	<u>2010</u>
Interest:		
Bonds	\$ 3,365	\$ -
Equity	428,179	224,973
Cash	<u>64,904</u>	<u>56,234</u>
Total interest income	<u>\$ 496,448</u>	<u>\$ 281,207</u>
Cash received:		
Bonds	\$ 1,476	\$ -
Cash	<u>64,904</u>	<u>56,234</u>
Total cash received	<u>66,380</u>	<u>56,234</u>
Noncash adjustments:		
Equity	428,179	224,973
Change in accrued interest	71	-
Amortization	<u>1,818</u>	<u>-</u>
Total noncash adjustments	<u>430,068</u>	<u>224,973</u>
Total investment income	<u>\$ 496,448</u>	<u>\$ 281,207</u>

NOTE 4 - INTEREST RATES

The interest rates for assets held with the Utah Public Treasurers' Investment Fund were .7092% and .4813% for the years ended December 31, 2011 and 2010, respectively.

UTAH COUNTIES INDEMNITY POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 5 - CAPITAL ASSETS

The capital assets and related accumulated depreciation of the Pool are as follows:

<u>2011</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 494,446	\$ -	\$ (494,446)	\$ -
Total capital assets, not being depreciated	494,446	-	(494,446)	-
Capital assets, being depreciated:				
Office furniture and equipment	289,510	3,942	-	293,452
Total capital assets, being depreciated	289,510	3,942	-	293,452
Less accumulated depreciation for:				
Office furniture and equipment	(183,059)	(20,545)	-	(203,604)
Total accumulated depreciation	(183,059)	(20,545)	-	(203,604)
Total capital assets being depreciated, net	106,451	(16,603)	-	89,848
Total capital assets, net	\$ 600,897	\$ (16,603)	\$ (494,446)	\$ 89,848
<u>2010</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 494,446	\$ -	\$ -	\$ 494,446
Total capital assets, not being depreciated	494,446	-	-	494,446
Capital assets, being depreciated:				
Office furniture and equipment	275,685	38,274	(24,449)	289,510
Total capital assets, being depreciated	275,685	38,274	(24,449)	289,510
Less accumulated depreciation for:				
Office furniture and equipment	(173,291)	(28,547)	18,779	(183,059)
Total accumulated depreciation	(173,291)	(28,547)	18,779	(183,059)
Total capital assets being depreciated, net	102,394	9,727	(5,670)	106,451
Total capital assets, net	\$ 596,840	\$ 9,727	\$ (5,670)	\$ 600,897

NOTE 6 - CONTINGENCIES

The Pool is subject to litigation from the settlement of claims contested in the normal course of business. The losses from the actual settlement of such unknown claims are taken into consideration in the computation of the estimated unpaid loss and loss adjustment expense liabilities.

UTAH COUNTIES INDEMNITY POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 7 - REINSURANCE

Effective in 2003, the Pool has purchased only specific excess coverage. The agreement provides for liability insurance in excess of a \$250,000 self-insured retention and property and crime insurance in excess of a \$250,000 self-insured retention.

Estimated claims loss liabilities of the Pool are stated net of estimated losses applicable to reinsurance coverage ceded to other insurance companies of \$1,060,154 and \$1,254,980 as of December 31, 2011 and 2010, respectively. However, the Pool is contingently liable for those amounts in the event such companies are unable to pay their portion of the claims.

Reinsurance Recoverables on Aggregate Losses

The Pool has reinsurance recoverables on aggregate policies (1992-2002) in the amount of \$151,300 and \$145,492 from its reinsurers for accrued losses as of December 31, 2011 and 2010, respectively.

Unsecured Reinsurance Recoverables

There are no letters of credit, trust agreements or funds withheld on reinsurance recoverables. The amount of \$1,433,891 exceeds 3% of the Pool's surplus and is considered unsecured recoverables on known claims.

Reinsurance Recoverable in Dispute

As of December 31, 2011, the Pool does not have any disputed balances or uncollectible funds.

NOTE 8 - RETIREMENT PLANS

Cost-Sharing Defined Benefits Pension Plan:

Plan Description. The Pool contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System), which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

UTAH COUNTIES INDEMNITY POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 8 - RETIREMENT PLANS (Continued)

Funding Policy. The Pool is required to contribute 13.77% (including 1.5% to a 401(k) salary deferral program) of covered salary to the Noncontributory System. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board. The Pool's contribution to the Noncontributory System for the years ended December 31, 2011, 2010 and 2009 was \$60,328, \$59,098 and \$60,540, respectively. The contributions were equal to the required contributions for each year. The Pool has no further liability once contributions are made.

Defined Contribution Pension Plans:

The Pool contributes an amount equal to the amount contributed by the employee into a 401(k) plan (administered by the Utah State Retirement Systems) and/or a 457 plan (administered by Nationwide Retirement Solutions), not to exceed 5% of the employee's eligible payroll. The total retirement expense for the Pool for the years ended December 31, 2011 and 2010 was \$72,229 and \$71,122, respectively.

NOTE 9 - UNPAID CLAIMS, LOSSES AND LOSS ADJUSTMENT EXPENSES

Reserves for incurred losses and loss adjustment expenses attributable to insured events of prior years has increased (decreased) by approximately \$21,943 and \$(4,341,000) in 2011 and 2010, respectively, as a result of re-estimation of unpaid losses and loss adjustment expenses. This change is the result of ongoing analysis of recent loss development trends. Original estimates change as additional information becomes known regarding individual claims.

The unpaid claims, losses and loss adjustment expenses of the Pool are as follows:

	<u>2011</u>	<u>2010</u>
Beginning Balance	\$ 6,636,401	\$ 10,462,475
Incurred Loss:		
Current Year	3,129,335	2,876,044
Prior Year	(303,019)	(4,341,434)
Change in Total Incurred	<u>2,826,316</u>	<u>(1,465,390)</u>
Paid:		
Current Year	994,943	584,493
Prior Year	1,809,430	1,776,191
Total Paid	<u>2,804,373</u>	<u>2,360,684</u>
Balance at December 31	<u><u>\$ 6,658,344</u></u>	<u><u>\$ 6,636,401</u></u>

UTAH COUNTIES INDEMNITY POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 10 - OPERATING LEASES

On September 4, 2008, the Pool entered into a seven year commitment to lease office space. The lease commenced in February 2009 at which time the Pool occupied the premises. The Pool paid \$129,456 and \$129,456 in rent for the years ended December 31, 2011 and 2010, respectively.

Future minimum rental commitments for the building operating lease are as follows:

2012	\$ 132,696
2013	136,674
2014	140,680
2015	144,866
2016	24,262
Thereafter	<u>-</u>
Total minimum lease payments	<u>\$ 579,178</u>

REQUIRED SUPPLEMENTARY INFORMATION

UTAH COUNTIES INDEMNITY POOL

Contributions and Loss Development Information (Unaudited)

The following table compares the Pool's earned revenues, net of reinsurance and investment income, to related costs of losses and loss adjustment expenses, net of reinsurance, assumed by the Pool. The table is defined as follows: (1) shows each year's net earned contributions, other operating revenues and interest income, (2) shows each year's other operating expenses including overhead and loss adjustment expenses not allocable to specific claims, (3) shows incurred losses and allocated loss adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred, (4) shows the cumulative amounts paid as of the end of successive years for each accident year, (5) shows how each coverage year's incurred losses increased or decreased as of the end of the successive years: this annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims, (6) compares the latest reestimated incurred loss amounts to the amounts originally established. Pool information is only available in the format shown below for the years presented.

(in thousands)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
(1) Earned contributions, other operating revenues and investment revenues, net of reinsurance	2,768	2,803	3,912	5,073	9,542	12,433	16,116	6,952	4,662	5,064
(2) Unallocated expense	233	242	242	-	-	-	-	-	-	-
(3) Estimated incurred claims, both paid and accrued, end of accident year	1,850	2,421	2,710	2,526	2,484	2,523	2,771	2,902	3,188	3,129
(4) Paid (cumulative) as of:										
End of accident year	511	661	1,104	1,383	1,059	1,332	1,302	1,126	584	995
One year later	910	1,190	1,786	2,361	2,289	2,296	2,076	1,246	932	-
Two years later	1,224	1,561	2,171	2,832	2,672	3,103	1,640	1,781	-	-
Three years later	1,406	2,213	2,463	3,276	3,324	2,202	2,249	-	-	-
Four years later	1,567	2,309	2,642	3,427	2,392	2,273	-	-	-	-
Five years later	1,671	2,369	2,911	2,368	2,298	-	-	-	-	-
Six years later	1,850	2,369	2,460	2,526	-	-	-	-	-	-
Seven years later	1,850	2,421	2,658	-	-	-	-	-	-	-
Eight years later	1,850	2,421	-	-	-	-	-	-	-	-
Nine years later	2,004	-	-	-	-	-	-	-	-	-
(5) Reestimated incurred losses and expenses:										
End of accident year	1,850	2,421	2,710	2,526	2,484	2,523	2,771	2,902	3,188	3,129
One year later	1,905	2,304	3,495	4,334	4,245	4,672	4,586	4,227	2,876	-
Two years later	1,574	2,178	3,524	4,448	3,773	4,871	4,145	2,748	-	-
Three years later	1,775	2,618	3,302	4,495	4,059	4,789	2,704	-	-	-
Four years later	1,850	2,624	3,100	4,348	4,437	2,751	-	-	-	-
Five years later	1,850	2,755	3,399	4,347	2,696	-	-	-	-	-
Six years later	1,850	2,776	3,317	2,737	-	-	-	-	-	-
Seven years later	1,850	2,776	2,657	-	-	-	-	-	-	-
Eight years later	1,850	2,466	-	-	-	-	-	-	-	-
Nine years later	1,850	-	-	-	-	-	-	-	-	-
(6) Increase (decrease) in estimated incurred losses and expenses from end of accident year	-	45	(53)	211	212	228	(67)	(154)	(312)	-

SUPPLEMENTARY AUDITORS' REPORTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**To the Board of Trustees
Utah Counties Indemnity Pool**

We have audited the financial statements of Utah Counties Indemnity Pool (the Pool) as of and for the year ended December 31, 2011 and have issued our report thereon dated June 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pool's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pool's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain matters involving internal control and its operation which we have reported to the management of the Pool in a separate letter dated June 7, 2012.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pool's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management of the Pool, the Board of Trustees, and the State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Wison, Smith, Beckman & Purcell, LLP

Salt Lake City, Utah
June 7, 2012

REPORT ON STATE LEGAL COMPLIANCE

**To the Board of Trustees
Utah Counties Indemnity Pool**

We have audited the financial statements of Utah Counties Indemnity Pool (the Pool) as of and for the year ended December 31, 2011 and have issued our report thereon dated June 7, 2012. As part of our audit, we have audited the Pool's compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended December 31, 2011. The general compliance requirements applicable to the Pool are identified as follows:

- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Special Districts
- Other General Issues

The Pool did not receive any major State grants during the year ended December 31, 2011.

Compliance with the requirements referred to above is the responsibility of the Pool's management. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the major assistance programs or general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the Pool's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Pool's compliance with those requirements.

In our opinion, the Pool complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended December 31, 2011.

This report is intended solely for the information and use of management of the Pool, the Board of Trustees, and the State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

Winn, Smith, Roberts & Prescott, LLP

Salt Lake City, Utah
June 7, 2012

